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Part VI

Department of the Interior

Bureau of Land Management

State of Alaska Department of Natural Resources; Joint Federal/State Beaufort Sea Oil and Gas Lease Sale BF

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

State of Alaska, Department of Natural Resources; Federal/State Joint Beaufort Sea Oil and Gas Lease Sale BF

This is the final notice of sale for the proposed joint Federal/ State Beaufort Sea lease sale in the offshore waters of the Beaufort Sea off northern Alaska. The principles and conditions under which the United States and the State of Alaska will jointly conduct the proposed sale are specified in the Memorandum of Understanding (MOU) of March 1978, and the Interim Agreement of October 26, 1979, and its accompanying documents. This notice applies to those tracts (leasing units) under Federal jurisdiction; those tracts the jurisdictional status of which is in dispute between the State of Alaska and the United States; and those tracts under State jurisdiction. The disputed tracts, with the exception of the area surrounding the feature known as Dinkum Sands,* will be leased and managed by the Federal Government. The State of Alaska will lease and manage those tracts in the Dinkum Sands area, namely, tracts BF-64, BF-70, BF-71, and BF-116. The term "Federally managed tracts" as used hereafter in this notice will always include all undisputed Federal tracts and all disputed tracts except those disputed tracts in the Dinkum Sands area. The term "State managed tracts" as used hereafter in this notice will always include all undisputed State tracts and those disputed tracts in the Dinkum Sands area. The jurisdictional status of all disputed tracts will be determined by the United States Supreme Court. Bidding procedures and requirements for these tracts will be shown under the Federal or State procedures described below.

1. Authority. This notice is published pursuant to the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331-1343), as amended, and the regulations issued thereunder (43 CFR Part 3300); and Alaska Statutes 38.05.020, 38.05.137, 38.05.180.

2. Filing of Bids.

a. Federally managed tracts: Sealed bids for Federally managed tracts will be received by the Manager, Alaska Outer Continental Shelf (OCS) Office, Bureau of Land Management, P.O. Box 1159, Anchorage, Alaska 99510. The street address is 620 East 10th Avenue, Anchorage, Alaska. Bids may be delivered either by mail or in person, to the above address until 4:00 p.m., Alaska Standard Time, December 7, 1979; or by personal delivery to the Traveler's Inn, Chena Room, 813 Noble Street, in Fairbanks, Alaska, between 1:00 p.m. and 5:00 p.m. on December 10, 1979, or to the Traveler's Inn, Gold Room (same address), between the hours of 8:30 a.m., and 9:30 a.m., December 11, 1979. Bids received by the Manager later than the times and dates specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or withdrawal is received by the Manager prior to 9:30 a.m., December 11, 1979. All bids must be submitted and will be considered in accordance with applicable regulations, including 43 CFR Part 3300. The list of restricted joint bidders which applies to this sale for Federally managed tracts was published in 44 FR 60416, October 19, 1979, as corrected in 44 FR 61263, October 24, 1979.

b. State managed tracts: Sealed bids for State managed tracts will be received by the Director, Division of Minerals and Energy Management, Department of Natural Resources, 703 West Northern Lights Boulevard, Anchorage, Alaska 99503. Bids may be delivered either by mail or in person, to the above address until 4:00 p.m., Alaska Standard Time, December 7, 1979; or by personal delivery to the Traveler's Inn, Chena Room, 813 Noble Street, in Fairbanks, Alaska, between 1:00 p.m., and 5:00 p.m., on December 10, 1979, or to the Traveler's Inn, Gold Room (same address), between the hours of 8:30 a.m., and 9:30 a.m., December 11, 1979. Bids received by the Director later than the times and dates specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or withdrawal is received by the Director prior to 9:30 a.m., December 11, 1979. All bids must be submitted and will be considered in accordance with applicable State statutes, including AS 38.05.020, 38.05.137, and 38.05.180 and regulations.

3. Method of Bidding.

a. Federally managed tracts: A separate bid in a sealed envelope, labeled "Sealed Bid for Oil and Gas Leasing (insert number of tract), not to be opened until 10 a.m., December 11, 1979," must be submitted for each Federally managed tract. A suggested form appears in 43 CFR Part 3300 (44 FR 38289, June 29, 1979) Appendix A. Bidders are advised that tract (leasing unit) numbers are assigned solely for administrative purposes and are not the same as block numbers found on official leasing maps. All bids received shall be deemed submitted for a numbered tract. Bidders must submit with each bid one-fifth of the cash bonus in cash or by cashier's check, bank draft, or certified check, payable to the order of the Bureau of Land Management. No bid for less than a full tract as described in paragraph 12.a. will be considered. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, as well as submit a sworn statement that the bidder is qualified under 43 CFR Part 3316. The suggested form for this statement to be used in joint bids appears in 43 CFR Part 3300, (44 FR 38289, June 29, 1979) Appendix B. Other documents may be required of bidders under 43 CFR 3316.4. Bidders are warned against violation of 18 U.S.C. 1860, prohibiting unlawful combination or intimidation of bidders.

* This area includes those tracts within a 3 geographical mile radius of a geographic point at latitude 70°25'26" north and longitude 147°47'47" west but outside the 3 mile boundaries of Narwhal Island to the east and Cross Island to the west.

b. State managed tracts: A separate bid in a sealed envelope, labeled "Sealed Bid for Oil and Gas Leasing (insert number of tract), not to be opened until 10 a.m., December 11, 1979," must be submitted for each State managed tract. State bid forms, DMEM 5-79, are available from the Division of Minerals and Energy Management, 703 West Northern Lights Boulevard, Anchorage, Alaska. Bidders are advised that tract (leasing unit) numbers are assigned solely for administrative purposes and are not the same as block numbers found on official leasing maps. All bids received shall be deemed submitted for a numbered tract. Bidders must submit with each bid one-fifth of the cash bonus in cash or by certified check payable to the order of the Department of Revenue, State of Alaska. No bid for less than a full tract as described in paragraph 12.b. will be considered. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places. Other documents may be required of bidders under 11 AAC 82.430.

4. Bidding Method.

a. Federally managed tracts: The bidding method on all Federally managed tracts will be bonus bidding with a fixed sliding scale royalty. Bids on all Federally managed tracts must be submitted on a cash bonus bid basis with the percent royalty due in amount or value of production saved, removed, or sold fixed according to the sliding scale formula described below. This formula fixes the percent royalty at a level determined by the value of lease production during each calendar quarter. For purposes of determining the percent royalty due on production during a quarter, the value of production during the quarter will be adjusted for inflation as described below. The determination of the value of the production on which royalty is due will be made pursuant to 30 CFR 250.64 and Sec. 6(b) of the lease form.

The fixed sliding scale formula operates in the following way: when the quarterly value of production, adjusted for inflation, is less than or equal to $13.236229 million, a royalty of 16.66667 percent in amount or value of production saved, removed, or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $13.236230 million, but less than or equal to $1662.854082 million, the royalty percent due on the unadjusted value or amount of production is given by

$$Rj = b[Ln\ (Vj/S)]$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j
b = 10.0
Ln = natural logarithm
Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars
S = 2.5

When the adjusted quarterly value of production is equal to or greater than $1662.854083 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed, or sold.

In determining the quarterly percent royalty due, Rj, the calculation will be rounded to five decimal places (for example, 22.52109 percent). This calculation will incorporate the adjusted quarterly value of production, Vj, in millions of dollars, rounded to the sixth digit, i.e., to the nearest dollar (for example, 41.738629 millions of dollars).

The form of sliding scale royalty schedule is illustrated in Figure 1. Note that the effective quarterly royalty rate depends upon the inflation adjusted quarterly value of production. However, this rate is applied to the unadjusted quarterly value of production to determine the royalty due.

In adjusting the quarterly value of production for use in calculating the percent royalty due on production during the quarter, the actual value of production will be adjusted to account for the effects of inflation by dividing the actual value of production by the following inflation adjustment factor. The inflation adjustment factor used will be the ratio of the GNP fixed weighted price index for the calendar quarter preceding the quarter of production to the value of that index for the quarter preceding the issuance of the lease. The GNP fixed weighted price index is published monthly in the Survey of Current Business by the Bureau of Economic Analysis, U.S. Department of Commerce. The percent royalty will be due and payable on the actual amount or value of production saved, removed, or sold as determined pursuant to 30 CFR 250.64 and Sec. 6(b) of the Federal lease form (or comparable provisions of the State lease form where appropriate). The timing of procedures for inflation adjustments and determinations of the royalty due will be specified at a later date. Table 1 provides hypothetical examples of quarterly royalty calculations using the sliding scale formula just described under two different values for the quarterly price index.

Leases awarded on the basis of cash bonus bid with fixed sliding scale royalty will provide for a yearly rental or minimum royalty payment of $8 per hectare or fraction thereof.

Bidders for Federally managed tracts covered by this notice should recognize that the Department of Energy is authorized, under Section 302(b) and (c) of the Department of Energy Organization Act, to establish production rates for all Federal oil and gas leases.

b. State managed tracts: The bidding method on State managed tracts BF-64, BF-70, BF-71, and BF-116 will be the same as that described in 4.a.

The bidding method on State managed tracts BF-60, BF-61, BF-62, BF-68, BF-69, BF-75, BF-76 and BF-82 will be a fixed cash bonus of $1,750 per acre, a fixed royalty of 20 percent, and a net profit share bid variable expressed in percent to a maximum of five decimal places. The bidding method on state managed tracts BF-46, BF-47, BF-48, BF-49, BF-50, BF-51, BF-52, BF-53, BF-54, BF-55, BF-56, BF-57, BF-58, BF-59, BF-66, BF-67, BF-113 and BF-114 will be a fixed cash bonus of $875 per

Figure 1
Form of the Sliding Royalty Schedule

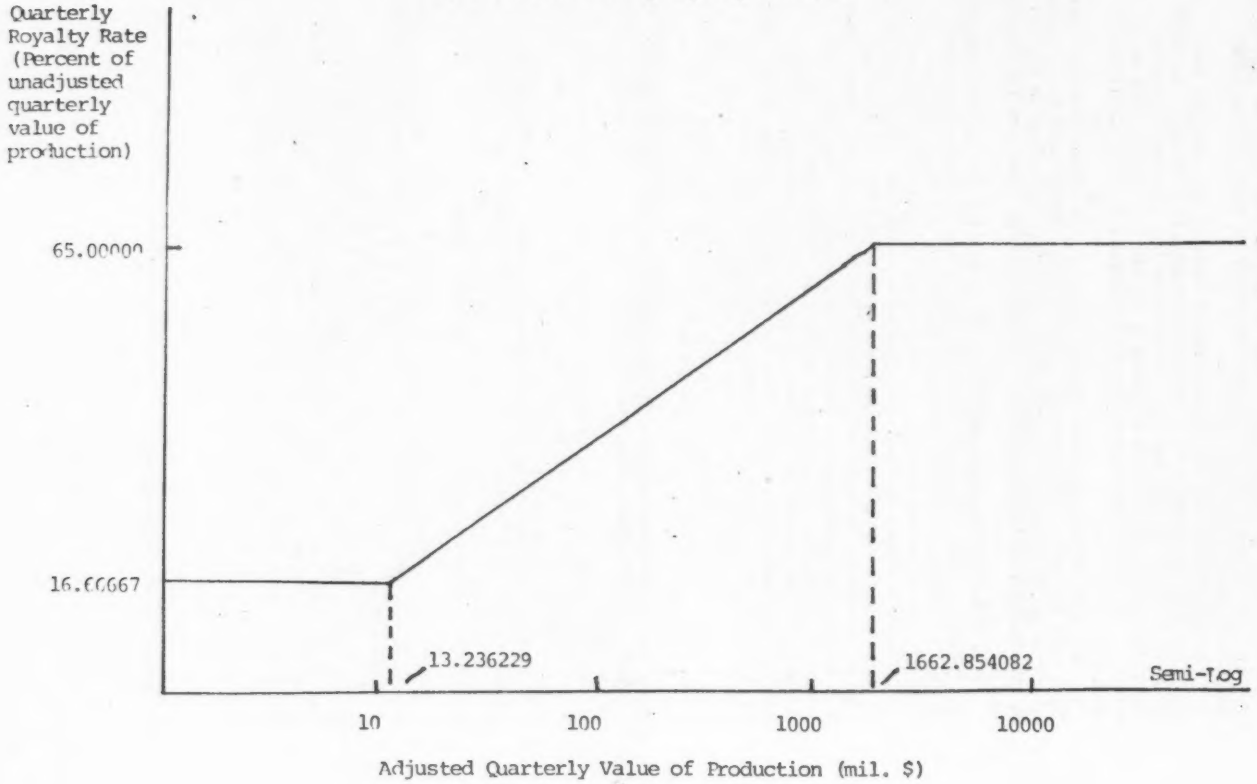

TABLE 1. HYPOTHETICAL QUARTERLY ROYALTY CALCULATIONS

(A) Actual Value of Quarterly Production (Millions of Dollars)	(B) GNP Fixed Weighted Price Index	(C) Inflation Factor[1]	(D) Adjusted Value of Quarterly Production[2] (Vj, Millions of $	(E) Percent Royalty Rate (Rj)	(F) Royalty Payment[3] (Millions of Dollars)
10.000000	200.0	4/3	7.500000	16.66667	1.666667
30.000000	200.0	4/3	22.500000	21.97225	6.591675
90.000000	200.0	4/3	67.500000	32.95837	29.662533
270.000000	200.0	4/3	202.500000	43.94449	118.650123
810.000000	200.0	4/3	607.500000	54.93061	444.937941
10.000000	250.0	5/3	6.000000	16.66667	1.666667
30.000000	250.0	5/3	18.000000	19.74081	5.922243
90.000000	250.0	5/3	54.000000	30.72693	27.654237
270.000000	250.0	5/3	162.000000	41.71306	112.625262
810.000000	250.0	5/3	486.000000	52.69918	426.863358

1 Column (B) divided by 150.0 (assumed value of GNP fixed weighted price index at time leases are issued).
2 Column (A) divided by Inflation Factor.
3 Column (A) times Column (E) divided by 100.

acre, a fixed royalty of 20 percent, and a net profit share bid variable expressed in percent to a maximum of five decimal places. Calculation of the net profit is defined in 11 AAC 83.201 - 295. The amount of interest to be earned on the net profit share development account pursuant to 11 AAC 83.212 will be the average of the prime rates of the Citibank, NA New York; Chase Manhattan Bank, NA New York; and the Bank of America, NT & SA San Francisco, prevailing during the month.

The bidding method on state managed tracts BF-63, BF-65 BF-72, BF-73, BF-74, BF-77, BF-78, BF-79, BF-80, BF-81, BF-83, BF-84, BF-85, BF-86, BF-87, BF-88, BF-89, BF-90, BF-91, BF-92, BF-93, BF-94, BF-95, BF-96, BF-97, BF-98, BF-99, BF-100, BF-101, BF-102, BF-103, BF-104, BF-105, BF-106, BF-107, BF-108, BF-109, BF-110, BF-111, BF-112, and BF-115 will be bonus bidding with a fixed sliding scale royalty. Bids on these state managed tracts must be submitted on a cash bonus bid basis with the percent royalty due in amount or value of production saved, removed, or sold fixed according to the sliding scale formula described in section 4.a. of this notice of sale. However, when the quarterly value of production, adjusted for inflation is less than or equal to $18.472640 million, a royalty of 20.00000 percent in amount or value of production saved, removed, or sold will be due on the unadjusted value or amount of production; when the adjusted quarterly value of production is equal to or greater than $18.472641 million but less than or equal to $1662.854082 million, the royalty percent due on the unadjusted value or amount of production is given by the formula in 4.a. of this notice of sale.

5. Equal Opportunity.

a. Federally managed tracts: For all Federally managed tracts, each bidder must have submitted by 9:30 a.m., December 11, 1979, the certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, on the Compliance Report Certification Form, Form 1140-8 (November 1973), and the Affirmative Action Representation Form, Form 1140-7 (December 1971).

b. State managed tracts: The State does not have presale certification requirements; however, following issuance of a lease, all lessees are subject to applicable State laws and regulations regarding labor and employment.

6. Bid Opening.

a. Federally managed tracts: All bids will be opened December 11, 1979, beginning at 10:00 A.M., Alaska Standard Time, at the address stated in paragraph 2.a. The opening of the bids is for the sole purpose of publicly announcing and recording bids received and no bids will be accepted or rejected at that time. If for any reason any bid is not opened before midnight, December 11, 1979, that bid will be returned unopened to the bidder, as soon thereafter as possible.

b. State managed tracts: Same as 6.a.

7. Deposit of Payment.

a. Federally managed tracts: Any cash, cashier's checks, certified checks, or bank drafts submitted with a bid for Federally managed tracts may be deposited in the U.S. Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

b. State managed tracts: Any cash or certified checks submitted with a bid for State managed tracts may be deposited in an interest bearing account at a bank designated by the State Department of Revenue, during the period the bids are being considered. Such deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the State of Alaska. Further information regarding treatment of bid deposits can be obtained from the Division of Minerals and Energy Management, 703 W. Northern Lights Blvd., Anchorage, Alaska 99503.

8. Withdrawal of Tracts.

a. Federally managed tracts: The United States reserves the right to withdraw any Federally managed tract covered by this notice from this sale prior to issuance of a written acceptance of a bid for that tract.

b. State managed tracts: The State of Alaska reserves the right to withdraw any State managed tract covered by this notice from this sale prior to issuance of a written acceptance of a bid for that tract.

9. Acceptance or Rejection of Bids.

a. Federally managed tracts: The United States reserves the right to reject any and all bids for any Federally managed tract. No bid for any Federally managed tract will be accepted and no lease for any Federally managed tract will be awarded to any bidder unless:

(1) The bidder has complied with all requirements of this notice and applicable Federal regulations;
(2) The bid is the highest valid cash bonus bid; and
(3) The amount of the bid has been determined to be adequate by the Secretary of the Interior. This determination for each disputed tract (leasing unit) requires the concurrence of the State of Alaska.

No bid will be considered for acceptance unless it offers a cash bonus in the amount of $62 or more per hectare or fraction thereof.

b. State managed tracts: The State of Alaska reserves the right to reject any and all bids for any State managed tract. No bid for any State managed tract will be accepted and no lease for any State managed tract will be awarded to any bidder unless:

(1) The bidder has complied with all requirements of this notice and applicable State regulations;
(2) The bid is the highest valid cash bonus bid or net profit bid; and

(3) The amount of the bid has been determined to be adequate by the State of Alaska . This determination for each disputed tract (leasing unit) requires the concurrence of the United States.

10. Successful Bidders.

a. Federally managed tracts: Each person who has submitted a bid accepted by the Secretary of the Interior, and concurred in by the State of Alaska for disputed tracts, will be required to execute copies of the lease specified in paragraph 13.a. of this Notice, pay the balance of the cash bonus bid together with the first year's annual rental and satisfy the bonding requirements of 43 CFR 3318.1 within the time provided in 43 CFR 3316.5.

b. State managed tracts: Each person who has submitted a bid accepted by the Commissioner, Department of Natural Resources, and concurred in by the United States for disputed tracts, will be required to execute copies of the lease specified in paragraph 13.b. of this Notice and pay the balance of the cash bonus bid together with the first year's annual rental within fifteen days of receipt of the lease.

11. Leasing Map.

a. Federally managed tracts: The Federal/State Beaufort Sea Oil and Gas Lease Sale Leasing and Nomination map, dated January 30, 1979, is available for $2.50 and an overlay (August 1979) depicting the tracts (leasing units) is available for $1.50 from the Manager, Alaska Outer Continental Shelf Office, at 620 East 10th Avenue, Anchorage, Alaska 99510, or from the Director, Division of Minerals and Energy Management, 703 W. Northern Lights Blvd., Anchorage, Alaska 99503. Copies of the Supplemental Official OCS Block Diagrams which, along with the leasing and nomination map, constitute the basis for the description of each tract (leasing unit) in the sale area are also available for 10 cents each at the same addresses. Information on the current jurisdictional status of each tract (leasing unit) is provided below.

The western boundary of the sale area was originally defined on the State of Alaska protraction system on map dated November 21, 1977. However, the new leasing and nomination map dated January 30, 1979, on which this Notice of Sale is based, redefines the western boundary on the Federal protraction system using geographic and UTM coordinates. The boundary starts on the northern edge of block 470 and proceeds south and east through leasing blocks 470, 514, and 558.

b. State managed tracts: In addition to the maps described in 11.a., a Federal/State Beaufort Sea Oil and Gas Lease Sale Coordinate Information Map, dated September 24, 1979, and copies of individual leasing unit diagrams for State and disputed tracts are available for informational purposes only, for $2.50 and 10 cents each, respectively, at the same address.

12. Leasing Unit Descriptions.

a. Federally managed tracts: A list of Federally managed tracts offered for bid, which includes tracts BF-1 through BF-45, is as follows:

Note: There may be gaps in the numbers of the tracts listed. Some of the blocks identified in the final environmental impact statement may not be included in this notice.

LEASING AND NOMINATION MAP
FEDERAL/STATE
BEAUFORT SEA OIL AND GAS LEASE SALE
(Approved January 30, 1979)

FEDERALLY MANAGED TRACTS
(BF-1 - BF-45)

Tract	Block	Description	Block Hectares	Total Tract (Leasing Unit) Hectares	Total Tract (Leasing Unit) Acres
BF-1	470	Federal Portion	914.59	914.59	2259.95
BF-2	471	" "	1420.31	1420.31	3509.59
BF-3	472	" "	1389.89	1389.89	3434.42
BF-4	473	" "	1354.58	1354.58	3347.17
BF-5 (a)	474	" "	1297.72	1297.72	3206.67
BF-5 (b)	475	" "	1161.96	1161.96	2871.20
BF-6	476	" "	1012.50		
	477	" "	906.43	1918.93	4741.68
BF-7	478	" "	1731.54	1731.54	4278.64
BF-8	522	" "	12.25		
	523	" "	952.96	965.21	2385.03
BF-9	524	" "	2188.12	2188.12	5406.84
BF-10	568	" "	279.82		
	569	" "	1665.97	1945.79	4808.05
BF-11	613	" "	2.34		
	614	" "	720.29	722.63	1785.62
BF-12	615	" "	1957.14	1957.14	4836.09
BF-13	659	" "	44.20		
	660	" "	972.04	1016.24	2511.13
BF-14	617	" "	2112.45	2112.45	5219.86
BF-15	618	All	2304.00	2304.00	5693.18
BF-16	661	Federal Portion	127.93		
	662	" "	990.45	1118.38	2763.52
BF-17	663	" "	1747.74	1747.74	4318.67
BF-18	664	" "	2282.30	2282.30	5639.56
BF-19	708	" "	215.48		
	709	" "	938.48	1153.96	2851.44
BF-20	710	" "	1657.21	1657.21	4094.97
BF-21	711	" "	2233.32	2233.32	5518.53
BF-22	755	" "	98.13		
	756	" "	561.00	659.13	1628.71
BF-23	470	Disputed Portion	109.57		
	471	" "	611.95		
	515	" "	189.83	911.35	2251.95
BF-24	472	" "	914.11		
	473	" "	689.95		
	474 (West side)	" "	19.04	1623.10	4010.68
BF-25	516	Disputed Portion	2076.98		
	560	" "	44.64	2121.62	5242.52
BF-26	517	" "	760.40		
	561(NW corner)	" "	135.79	896.19	2214.49
BF-27	474(East side)	" "	60.67		
	475	" "	777.22		
	476	" "	937.01		
	477	" "	35.55		
	519	" "	36.00		
	520	" "	182.89	2029.34	5014.50
BF-28	478	" "	76.81		
	522	" "	244.68		
	523	" "	1351.04		
	566(NE corner)	" "	3.36		
	567	" "	516.91	2192.80	5418.41
BF-29	524	" "	115.88		
	568	" "	1527.62		
	569	" "	224.75	1868.25	4616.45
BF-30	617	" "	88.55		
	659	" "	1115.39		
	660	" "	957.07	2161.01	5339.86
BF-31	661	" "	21.53		
	662	" "	427.39		
	663	" "	556.26		
	706	" "	78.48		
	707	" "	1101.76	2185.42	5400.17
BF-32	664	" "	21.70		
	708	" "	973.11		
	709	" "	386.45	1381.26	3413.09
BF-33	710	" "	85.49		
	711	" "	70.47		
	755	" "	349.07		
	756	" "	64.60	569.63	1407.56
BF-34	561(SE corner)	" "	88.36		
	562	" "	47.87		
	605	" "	32.44		
	606	" "	693.88		
	607	" "	679.09	1541.64	3809.39
BF-35	564	" "	260.41		
	608	" "	1825.52		
	652	" "	13.41	2099.34	5187.47

b. State managed tracts: A list of the State managed tracts offered for bid (tracts BF-46 through BF-116) is as follows:

Note: There may be gaps in the numbers of the tracts listed. Some of the blocks identified in the final environmental impact statement may not be included in this Notice.

Tract	Block	Description	Block Hectares	Total Tract (Leasing Unit) Hectares	Total Tract (Leasing Unit) Acres
BF-36	609	Disputed Portion	1240.62	1715.20	4238.26
	653	" "	474.58		
BF-37	610	" "	25.56	1490.60	3683.27
	654	" "	1434.43		
	698	" "	30.61	1543.10	3813.00
BF-38	655	" "	1409.66		
	656	" "	133.44	1048.77	2591.51
BF-39	699	" "	1043.90		
	743	" "	4.87	2181.88	5391.42
BF-40	700	" "	1911.66	1964.79	4855.00
	701	" "	270.22		
BF-41	744	" "	1964.79	1692.70	4182.66
BF-42	745	" "	1691.41		
	746	" "	1.29	709.85	1754.04
BF-43	788	" "	163.37		
	789	" "	546.48	358.33	885.43
BF-44	792	" "	172.86		
	793	" "	37.43	893.49	2207.81
	836	" "	148.04		
BF-45	613	" "	2.64		
	614	" "	557.96		
	615	" "	332.89		

STATE MANAGED TRACTS
(BF-46 - BF-116)

Tract	Block	Description	Block Acres	Total Tract (Leasing Unit) Acres
BF-46	470	State Portion	1705.89	
	514	" "	2679.54	4385.43
BF-47	471	" "	671.48	
	515	" "	3800.89	4472.37
BF-48	473	" "	641.16	
	474	" "	2289.59	
	475	" "	901.49	3832.24
BF-49	476	" "	875.96	
	477	" "	3365.61	
	478	" "	1224.77	5466.34
BF-50	517	" "	3814.30	3814.30
BF-51	518	All State	5693.29	5693.29
BF-52	519	State Portion	5604.33	5604.33
BF-53	520	" "	5241.36	5241.36
BF-54	521	All State	5693.29	5693.29
BF-55	522	State Portion	5058.40	5058.40
BF-56	514	" "	176.12	
	515	" "	1423.32	
	558	" "	205.46	
	559	" "	1639.04	3443.94
BF-57	516	" "	560.98	
	560	" "	4246.16	4807.14
BF-58	561	" "	5139.40	5139.40
BF-59	562	" "	5575.00	5575.00
BF-60	563	All State	5693.29	5693.29
BF-61	564	State Portion	5049.80	5049.80
BF-62	565	All State	5693.29	5693.29
BF-63	566	State Portion	5051.48	5051.48
BF-64	567	Dinkum Disputed	4415.98	
	568	Dinkum Disputed	312.39	4728.37
BF-65	568	State Portion	914.63	
	569	" "	1021.24	1935.87
BF-66	605	" "	3564.70	3564.70
BF-67	606	" "	1864.92	1864.92
BF-68	606	" "	434.41	
	607	" "	1696.05	
	608	" "	97.90	2228.36
BF-69	608	" "	191.75	
	609	" "	2481.80	
	610	" "	1101.22	3774.77
BF-70	609	Dinkum Disputed	145.87	
	610	Dinkum Disputed	4528.90	
	566	Dinkum Disputed	633.50	5308.27
BF-71	611	Dinkum Disputed	4758.74	
	612	Dinkum Disputed	82.71	4841.45
BF-72	612	State Portion	5610.58	5610.58
BF-73	613	" "	5680.98	5680.98
BF-74	614	" "	2534.67	2534.67
BF-75	607	" "	1227.96	
	608	" "	892.69	
	651	" "	730.98	
	652	" "	2332.45	5184.08
BF-76	653	" "	2372.87	
	654	" "	1107.36	
	697	" "	212.33	
	698	" "	575.99	4268.55
BF-77	611	" "	934.54	
	655	" "	532.17	
	656	" "	1423.32	2890.03
BF-78	656	" "	3940. 23	
	700	" "	969.49	4909.72
BF-79	657	All State	5693.29	5693.29
BF-80	658	" "	5693.29	5693.29
BF-81	615	State Portion	34.52	
	659	" "	2827.89	2862.41
BF-82	698	" "	139.89	
	699	" "	2390.81	
	743	" "	1049.94	3580.64
BF-83	701	" "	5025.56	5025.56
BF-84	702	All State	5693.29	5693.29
BF-85	703	" "	5693.29	5693.29
BF-86	660	State Portion	926.37	
	704	" "	4269.96	5196.33
BF-87	617	" "	254.52	
	661	" "	5323.96	5578.48
BF-88	662	" "	2189.74	
	706	" "	2652.72	4842.46
BF-89	745	" "	1396.11	
	746	" "	4266.78	5662.89
BF-90	747	" "	4269.96	4269.96
BF-91	704	" "	1423.32	
	748	" "	4269.97	5693.29
BF-92	705	All State	5693.29	5693.29
BF-93	706	State Portion	2846.64	
	750	" "	1423.32	4269.96

Tract	Block	Description	Block Acres	Total Tract (Leasing Unit) Acres
BF-94	707	" "	2970.79	
	708	" "	2756.22	5727.01
BF-95	751	" "	2846.65	
	752	" "	2846.64	5693.29
BF-96	709	" "	2419.33	
	753	" "	2846.64	5265.97
BF-97	710	" "	1386.99	
	754	" "	2846.65	4233.64
BF-98	743	" "	1078.01	
	744	" "	838.20	
	787	" "	315.11	
	788	" "	3248.17	5479.49
BF-99	789	" "	3376.14	
	745	" "	117.62	3493.76
BF-100	790	" "	4762.17	
	791	" "	595.28	5357.45
BF-101	791	" "	4190.67	
	792	" "	1244.37	5435.04
BF-102	748	" "	1423.32	
	792	" "	3789.05	5212.37
BF-103	793	" "	3465.81	
	836	" "	2267.08	5732.89
BF-104	793	" "	2134.98	
	836	" "	1577.83	
	837	" "	1043.60	
	880	" "	772.74	5529.15
BF-105	749	All State	5693.29	5693.29
BF-106	750	State Portion	4269.97	
	794	" "	1423.32	5693.29
BF-107	794	" "	4078.85	
	838	" "	959.19	5038.04
BF-108	751	" "	2846.64	
	795	" "	2885.14	5731.78
BF-109	752	" "	2846.64	
	796	" "	2849.54	5696.18
BF-110	753	" "	2846.64	
	797	" "	2802.04	5648.68
BF-111	754	" "	2846.64	
	798	" "	2742.71	5589.35
BF-112	755	" "	4588.75	4588.75
BF-113	756	" "	3354.74	3354.74
BF-114	799	" "	2671.47	
	800	" "	2264.00	4935.47
BF-115	746	" "	1423.32	
	747	" "	1423.32	2846.64
BF-116	654	Dinkum Disputed	1041.39	
	655	Dinkum Disputed	1677.79	2719.18

13. Lease Terms and Stipulations.

a. Federally managed tracts: All leases on Federally managed tracts will be for an initial term of 10 years. Leases issued as a result of this sale will be on Form 3300-1 (September, 1978), as revised, and supplemented in accordance with Federal Stipulation Nos. 11 and 12. This form is available from the Manager, Alaska Outer Continental Shelf Office, at the address listed in paragraph 2.a. Section 6 of the lease form will be amended as follows:

> Sec. 6 Royalty on Production. (a) The lessee agrees to pay the lessor a royalty of that percent in amount or value of production saved, removed, or sold from the leased area as determined by the sliding scale royalty formula as follows. When the quarterly value of production, adjusted for inflation, is less than or equal to $13.236229 million, a royalty of 16.66667 percent in amount or value of production saved, removed, or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $13.236230 million, but less than or equal to $1662.854082 million, the royalty percent due on the unadjusted value or amount of production is given by
>
> $$Rj = b[Ln\ (Vj/S)]$$
>
> where
>
> Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed, or sold in quarter j
>
> b = 10.0
>
> Ln = natural logarithm
>
> Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars
>
> S = 2.5
>
> When the adjusted quarterly value of production is equal to or greater than $1662.854083 million, a royalty of 65.00000 percent in amount or value of production saved, removed, or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed, or sold.
>
> In determining the quarterly percent royalty due, Rj, the calculation will be rounded to five decimal places (for example, 22.52109 percent). This calculation will incorporate the

justed quarterly value of production, V, in millions of dollars, rounded to the nearest dollar (for example, 41.7 million dollars), to the nearest all kinds (except Helium) is subject to royalty. The lessee shall determine whether production royalty shall be paid in amount or value.

Except as otherwise noted, the following stipulations will be included in each lease issued on federally managed tracts. In the following stipulations, the term Supervisor refers to the Alaska OCS Office of the Geological Survey and the term Manager refers to the Manager of the Alaska Area Oil and Gas Division of the Bureau of Land Management.

Federal Stipulation No. 1

In the event any site, structure, or object of historic or archaeologic significance should be discovered during the conduct of any operations on the leased area, the lessee shall report immediately such findings to the Supervisor, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Supervisor has given directions as to its preservation.

Upon abandonment of the drilling platforms or related facilities, such facilities will be removed to the extent that they no longer interfere with the historic or cultural scene of such site or area, including but not limited to archaeological, or historic sites or areas otherwise adversely affect an inclusion in the National Register of Historic Places.

Federal Stipulation No. 2

The lessee shall include in any exploration and/or development plans a proposed environmental training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Supervisor. The program shall be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program shall be formulated and implemented by qualified instructors experienced in each pertinent field of study and shall employ effective methods to preserve archaeological, geological, and biological resources. The program shall also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating.

The lessee shall also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

Federal Stipulation No. 3

To be included only in the leases resulting from this sale for tracts (leasing units) BF-25, BF-26, BF-34, BF-35, BF-36, BF-37, BF-38, BF-39, BF-40, BF-41, BF-42, BF-43, and BF-44.)

In areas of less than 10 meters of water depth, after completion of the exploratory drilling phase, all structures will be removed from the lease area and the lessee will restore the site to a condition approved by the Supervisor unless said structure or site will be used in the production phase or for additional exploratory drilling or unless it is in the best interest of the public or the environment to require removal or restoration. Authorization to leave said structure in place must be obtained from the Supervisor.

Federal Stipulation No. 4

Solid waste disposal on artificial islands or in marine waters within the lease area is prohibited.

Federal Stipulation No. 5

1. Pipelines will be required (a) if pipeline rights-of-way can be easily feasible and environmentally preferable; and (c) if, in the determined and obtained; (b) if laying such pipelines is technilaying into account any incremental costs of transportation as to the form of increased environmental benefits able use conflicts. The lessee specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to any interpipelines, including both flow lines and gathering lines for oil and gas, shall be designed and constructed to provide for adequate protection from water currents, storm and ice scouring, subfreezing conditions, and other hazards as determined on a case-by-case basis.

2. Following the development of sufficient pipeline capacity, no crude oil will be transported by surface vessel from offshore production sites, except in the case of emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the Supervisor.

3. Where the three criteria set forth in the first sentence of this stipulation are not met and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore from the leased

area will conform with all standards established for such vessels, pursuant to the Ports and Waterways Safety Act of 1972 (46 U.S.C. 391 (a), as amended.)

Federal Stipulation No. 6

1. Discharge of produced waters into marine waters is prohibited, except that the Supervisor may approve discharges in tracts greater than 10 meters of water on a case-by-case basis.

2. Discharge of drilling muds and cuttings into marine waters is prohibited, except that the Supervisor may approve discharge (a) in tracts greater than 10 meters of water on a case-by-case basis and (b) in tracts of less than 10 meters of water on a case-by-case basis if effluents are shown to be non-toxic and can be adequately dispersed.

Federal Stipulation No. 7

If biological populations or habitats which may require additional protection are identified by the Supervisor on any tracts in the leasing area, the Supervisor will require the lessee to conduct environmental surveys, as approved by the Supervisor, to determine the extent and composition of biological populations or habitats, and the effects of proposed or existing operations on the populations or habitats which might require additional protective measures. The Supervisor shall provide written notice to the lessee of his decision to require such surveys. Such surveys will be required for the area known as the Boulder Patch, which applies to the following tracts: BF-36, BF-37, BF-38, BF-39, BF-40, BF-41, and BF-43. For all other tracts within the lease area, the nature and extent of any surveys will be determined by the Supervisor on a case-by-case basis.

Based on any surveys which the Supervisor may require of the lessee, or other information available to the Supervisor on special biological resources, the Supervisor may require the lessee to: 1) locate the site of such operation so as not to adversely affect the resource identified; 2) establish to the satisfaction of the Supervisor, on the basis of a site-specific survey, either that such operation will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist; 3) operate during those periods of time that do not adversely affect the biological resources as established by the Supervisor; and/or 4) modify operations in such a way as not to affect adversely the significant biological populations or habitats deserving protection.

The lessee agrees that, if any area of biological significance should be discovered during the conduct of any operations on the leased area, he shall immediately report such findings to the Supervisor, and make every reasonable effort to preserve and protect the biological resource from damage until the Supervisor has given the lessee directions with respect to its protection.

The lessee shall submit all data obtained in the course of such surveys to the Supervisor, with the locational information for drilling or other activity. The lessee may take no action that might result in any effect on the biologic populations or habitats surveyed, until the Supervisor provides written directions to the lessee, with regard to permissible actions.

Known special biological resources and their habitats include hard and rocky bottoms with kelp, bryozoans, sponges, coral, or other epibenthic communities.

Federal Stipulation No. 8

Exploratory drilling and testing, and other downhole exploratory activities will be limited to the period November 1 through March 31, unless the Supervisor determines that continued operations are necessary to prevent a loss of well control or to ensure human safety. This stipulation will remain in effect for two years following issuance of the lease.

Federal Stipulation No. 9

(To be included only in the lease resulting from this sale for tract (leasing unit) BF-40).

Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas, and the emplacement of pipelines will not be allowed on the disputed portion of lease block 700. All exploration for and development of oil or gas must be performed from locations outside of the disputed portion of lease block 700.

Federal Stipulation No. 10

The royalty rate on production saved, removed, or sold from this lease is subject to consideration for reduction under the same authority that applies to all other oil and gas leases on the Outer Continental Shelf (30 CFR 250.12 (e)). The Director, U.S. Geological Survey, may grant a reduction for only one year at a time. Reduction of royalty rates will not be approved unless production has been underway for one year or more. On disputed tracts, the United States must obtain the express written permission of the State before granting a reduction in the royalty rate.

Although the royalty rate specified in Sec. 6(a) of this lease or as subsequently modified in accordance with applicable regulations and stipulations is applicable to all production under this lease, not more than 16 2/3 percent of the production saved, removed, or sold from the lease area may be taken as royalty in amount (in kind), except as provided in Sec. 15(d) of this lease; the royalty on any portion of the production saved, removed, or sold from the lease in excess of 16 2/3 percent may only be taken in value of the production saved, removed, or sold from the lease area. On disputed tracts, the United States must obtain the express written permission of the State before agreeing to take any royalties in amount (in kind) rather than in value.

Federal Stipulation No. 11

(To be included in all leases on disputed lands)

This lease is subject to the "Agreement Between the United States and State of Alaska Pursuant to Section 7 of the Outer Continental Shelf Lands Act, and Alaska Statutes 38.05.137" (signed on October 26, 1979, and commonly referred to as the "Interim Agreement"), and the lessee hereby consents to every term of that agreement.

Any loss incurred or sustained by the lessee as a result of obtaining validation and recognition of this lease pursuant to the "Interim Agreement," and in particular any loss incurred or sustained by the lessee as a result of conforming this lease with any and all provisions of all applicable laws of the party prevailing in United States of America v. State of Alaska, United States Supreme Court No. 84, Original, shall be borne exclusively by the lessee.

No taxes payable to the State of Alaska will be required to be paid with respect to this lease until such time as ownership of or jurisdiction over the lands subject to this lease is resolved. In the event that the lands subject to this lease, or any portion of them, are judicially determined to be State lands, the lessee shall pay to the State a sum equivalent to the State taxes which would have been imposed under Alaska law if the lands, or portion thereof determined to be State lands, had been undisputed State lands from the date the lease was executed, plus interest at the rate of 10% per year accruing from the date the taxes would have become due under Alaska law. Such payment shall be in lieu of, and in satisfaction of the actual State taxes.

Federal Stipulation No. 12

This lease is subject to the "Agreement Regarding Unitization for the Proposed Joint Federal/State Beaufort Sea Lease Sale" executed by the United States and State of Alaska on October 26, 1979, and the lessee is bound by the terms of that agreement.

b. State managed tracts: All State leases will be for a primary term of 10 years. State managed leases issued as a result of this sale will be on Form DMEM-1-79, supplemented in accordance with State Stipulation Nos. 11 and 12, which is available from the Director, Division of Minerals and Energy Management, 703 W. Northern Lights Blvd., Anchorage, Alaska 99503.

All leases issued on State managed tracts on which the net profit share is the bid variable will include a work commitment as a term of the lease. See the information to lessees section of this notice for further information with respect to the work commitment and a listing of the State leasing units to which they will apply.

The royalty rate on production saved, removed, or sold from leases on leasing units leased on a cash bonus bid-sliding scale royalty basis is subject to consideration for reduction under the same authority that applies to all other oil and gas leases. On leasing units BF-64, BF-70, BF-71, and BF-116, the State must obtain the express written permission of the United States before granting a reduction in the royalty rate.

Although the royalty rate specified in leases on State tracts leased on a cash bonus bid-sliding scale royalty basis, or as subsequently modified in accordance with applicable regulations and stipulations, is applicable to all production under such leases, not more than 20 percent of the production saved, removed, or sold from the lease area may be taken as royalty in amount (in kind); the royalty on any portion of the production saved, removed, or sold from the lease in excess of 20 percent may only be taken in value of the production saved, removed, or sold from the lease area.

Although the royalty rate specified in leases on leasing units BF-64, BF-70, BF-71, and BF-116, or as subsequently modified in accordance with applicable regulations and stipulations, is applicable to all production under these leases, not more than 16 2/3 percent of the production saved, removed, or sold from the lease area may be taken in kind; the royalty on any portion of the production saved, removed, or sold from the lease in excess of 16 2/3 percent may only be taken in value of the production saved, removed, or sold from the lease area. The State of Alaska must obtain the express written permission of the United States before agreeing to take any royalties in amount (in kind) rather than in value.

Except as otherwise noted, the following stipulations will be included in each lease issued on State managed tracts.

State Stipulation No. 1

In the event any site, structure, or object of historic or archaeologic significance should be discovered during the conduct of any operations on the leased area, the lessee shall report immediately such findings to the Director, Division of Minerals and Energy Management, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director has given directions as to its preservation.

Upon abandonment of the drilling platform or related facilities, such facilities will be removed to the extent that they no longer intrude on the historic or cultural scene or could otherwise adversely affect an archaeologic, or historic site or area included in or eligible for inclusion in the National Register of Historic Places.

State Stipulation No. 2

The lessee shall include in any exploration and/or development plans a proposed environmental training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Director, Division of Minerals and Energy Management. The program shall be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program shall be formulated and implemented by qualified instructors experienced in each pertinent field of study and shall employ effective methods to insure that personnel understand and use techniques necessary to preserve archaeological, geological, and biological resources. The program shall also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating.

The lessee shall also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

State Stipulation No. 3

After completion of the exploratory drilling phase, all structures will be removed from the lease and the lessee will restore the site to its original condition unless the structure or site will be used in the production phase or for additional exploratory drilling or unless it is not in the best interest of the public or the environment to require removal or restoration. Authorization to leave the structure in place must be obtained from the Director, Division of Minerals and Energy Management, after consultation with the Department of Fish and Game and the Department of Environmental Conservation.

State Stipulation No. 4

(To be included in all leases on State leasing units BF-54, BF-62, BF-91, and BF-92.)

Surface entry by the lessee or subcontractors will be prohibited on Cross Island (State leasing units BF-54 and BF-62) and Pole Island (State leasing units BF-91 and BF-92) during the period May 15 to August 15. Surface entry during other periods may be permitted by the Director, Division of Minerals and Energy Management, provided any structures, equipment, personnel, or supplies are removed before May 15.

State Stipulation No. 5

If biological populations or habitats which may require additional protection are identified by the Director, Division of Minerals and Energy Management, on any tracts in the leasing area, the Director will require the lessee to conduct environmental surveys, as approved by the Director, to determine the extent and composition of biological populations or habitats, and the effects of proposed or existing operations on the populations or habitats which might require additional protective measures. The Director shall provide written notice to the lessee of his decision to require such surveys. Such surveys will be required for the area known as the Boulder Patch, which applies to the following leasing units: BF-62, BF-70, BF-71, BF-76, BF-77, BF-78, BF-79, BF-82, BF-83, BF-98, and BF-116. For all other tracts within the lease area, the nature and extent of any surveys will be determined by the Director on a case-by-case basis.

Based on any surveys which the Director may require of the lessee, or other information available to the Director on special biological resources, the Director may require the lessee to: (1) locate the site of such operation so as not to adversely affect the resource identified; (2) establish to the satisfaction of the Director, on the basis of a site-specific survey, either that such operation will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist; (3) operate during those periods of time that do not adversely affect the biological resources as established by the Director; and (4) modify operations in such a way as not to affect adversely the significant biological populations or habitats deserving protection.

The lessee agrees that, if any area of biological significance should be discovered during the conduct of any operations on the leased area, he shall immediately report such findings to the Director, and make every reasonable effort to preserve and protect the biological resource from damage until the Director has given the lessee directions with respect to its protection.

The lessee shall submit all data obtained in the course of such surveys to the Director, with the locational information for drilling or other activity. The lessee may take no action that might result in any effect on the biologic populations or habitats surveyed, until the Director provides written directions to the lessee, with regard to permissible actions.

Known special biological resources and their habitats include hard and rocky bottoms with kelp, bryozoans, sponges, coral, or other epibenthic communities.

State Stipulation No. 6

1. Discharge of produced waters into marine waters is prohibited, except that the Commissioner of the Department of Environmental Conservation may approve discharges in tracts greater than 10 meters of water on a case-by-case basis.

2. Discharge of drilling muds and cuttings into marine waters is prohibited, except that the Commissioner of the Department of Environmental Conservation may approve discharges (a) in tracts greater than 10 meters of water on a case-by-case basis and (b) in tracts of less than 10 meters of water on a case-by-case basis if effluents are shown to be non-toxic and can be adequately dispersed.

State Stipulation No. 7

1. Pipelines will be required (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to any recommendation of the Beaufort Sea Coordination Committee. Where feasible, and environmentally preferable, all pipelines, including both flow lines and gathering lines for oil and gas, shall be designed and constructed to provide for adequate protection from water currents, storm and ice scouring, subfreezing conditions, and other hazards as determined on a case-by-case basis.

2. Following the completion of pipeline installation of sufficient capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the Director, Division of Minerals and Energy Management.

3. Where the three criteria set forth in the first sentence of this stipulation are not met and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore from the leased area will conform with all standards established for such vessels, pursuant to the Ports and Waterways Safety Act of 1972 (46 U.S.C. 391(a)).

State Stipulation No. 8

Solid waste disposal on natural or artificial islands or in marine waters within the lease area is prohibited.

State Stipulation No. 9

Exploratory drilling and testing, and other downhole exploratory activities from surface locations outside the barrier islands will be limited to the period November 1 through March 31, unless the Director, Division of Minerals and Energy Management, after consulting with the Oil and Gas Conservation Commission, determines that continued operations are necessary to prevent a loss of well control or to ensure human safety. This stipulation will remain in effect for two years following issuance of the lease.

Exploratory drilling and testing, and other downhole exploratory activities from surface locations inside the Barrier Islands will be limited to the period November 1 through March 31, except the Director, Division of Minerals and Energy Management after consultation with the Biological Task Force may allow drilling and downhole activities to continue no later than May 15 if the lessee demonstrates the ability to operate safely and ice conditions justify; provided, however, that the Director, Division of Minerals and Energy Management, after consultation with the Oil and Gas Conservation Commission may allow continued operations leading to shut down which are necessary to prevent loss of well control or to insure human safety. This stipulation will remain in effect two years following issuance of the lease.

State Stipulation No. 10

(To be included in the leases on leasing unit BF-78)

Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas, and the emplacement of pipelines will not be allowed on the State-owned portion of lease block 700. All exploration for and development of oil and gas must be performed from locations outside of the State owned portion of lease block 700.

State Stipulation No. 11

(To be included in all leases on leasing units BF-64, BF-70, BF-71, and BF-116.)

This lease is subject to the "Agreement Between the United States and State of Alaska pursuant to Section 7 of the Outer Continental Shelf Lands Act, and Alaska Statutes 38.05.137" (signed on October 26, 1979, and commonly referred to as the "Interim Agreement"), and the lessee hereby consents to every term of that agreement.

Any loss incurred or sustained by the lessee as a result of obtaining validation and recognition of this lease pursuant to the "Interim Agreement," and in particular any loss incurred or sustained by the lessee as a result of conforming this lease with any and all provisions of all applicable laws of the party prevailing in United States of America v. State of Alaska, United States Supreme Court No. 84, Original, shall be borne exclusively by the lessee.

No taxes payable to the State of Alaska will be required to be paid with respect to this lease until such time as ownership of or jurisdiction over the lands subject to this lease is resolved. In the event that the lands subject to this lease, or any portion of them, are judicially determined to be State lands, the lessee shall pay to the State a sum equivalent to the State taxes which would have been imposed under Alaska law if the lands, or portion thereof determined to be State lands, had been undisputed State lands from the date the lease was executed, plus interest at the rate of 10 percent per year accruing from the date the taxes would have become due under Alaska law. Such payment shall be in lieu of and in satisfaction of the actual State taxes.

State Stipulation No. 12

This lease is subject to the "Agreement Regarding Unitization for the Proposed Joint Federal/State Beaufort Sea Lease Sale" executed by the United States and State of Alaska on October 26, 1979, and the lessee is bound by the terms of that agreement.

State Stipulation No. 13

Seismic activity will be prohibited during the period March 20 until the breakup of sea ice, except that the Director, Division of Minerals and Energy Management, after consulting with the biological task force, may allow seismic activity to occur after March 20 on a case-by-case basis.

State Stipulation No. 14

(To be included in leases on all State leasing units except BF-64, BF-70, BF-71, and BF-116.)

During the conduct of all activities related to this lease, the lessee will be subject to the provisions of all valid coastal zone plans and ordinances.

State Stipulation No. 15

(To be included in leases on State leasing units BF-64, BF-70, BF-71, and BF-116.)

If the state is ultimately determined to be the owner of lands on which this lease is located, conduct of all activities on this lease will thereafter be subject to the provisions of all valid coastal zone plans and ordinances.

14. Information to Lessees.

a. Federally managed tracts: Bidders are advised that the following applies to all Federally managed tracts within the area.

All disputed tracts will be leased subject to an "Interim Agreement" between the State of Alaska and the United States, entered into under the authority of Section 7 of the Outer Continental Shelf Lands Act, 43 U.S.C. 1336, and Alaska Statute 38.05.137. The agreement provides, among other things, that all sums payable to the United States or State of Alaska resulting from a lease in the disputed area shall be paid into a special interest-bearing escrow account established by the U.S. Treasury Department until the jurisdictional dispute is resolved. The agreement further provides that each lease in the disputed area will contain a stipulation which requires the lessee to pay an amount equal to accrued State taxes, plus interest, in the event that the land subject to the lease is later determined to belong to the State. See Federal Stipulation No. 11.

The United States and the State of Alaska have entered into an agreement which provides that unitization of leases overlying a common reservoir may be required prior to production, and voluntary unitization may be authorized during exploration. See Federal Stipulation No. 12.

Corps of Engineers permits are required for construction of any artificial islands, installations and other devices permanently or temporarily attached to the seabed located on the Outer Continental Shelf in accordance with section 4(e) of the Outer Continental Lands Act as amended 43 U.S.C. 1333.

On all Federally managed tracts, the Departments of the Interior and Transportation have entered into a Memorandum of Understanding, dated May 6, 1976, concerning the design, installation, operation and maintenance of offshore pipelines. Bidders should consult both Departments for regulations applicable to offshore pipelines.

For all onshore leases resulting from this sale and for all onshore off-lease areas under state jurisdiction the following will be required by State or Federal laws and State or Federal regulations:

Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, and/or production activities, an inventory shall be conducted of archaeological or historical sites within the area affected by a proposed activity.

Such inventory shall consider literature provided by the North Slope Borough and local residents; documentation of oral history regarding historic and prehistoric uses of such sites, evidence of consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory shall also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory shall be submitted to the Director, Division of Minerals and Energy Management, for distribution to the Director of the Division of Parks, and the North Slope Borough for purposes of review and comment. The Director of the Division of Parks and the North Slope Borough may request that the Director require salvage of archaeologic and historic sites or relocation of proposed facilities.

In the event that an archaeological or historical site or area is adversely affected by an activity, documentation of such effects shall be submitted to the Director. The Director shall, after consultation with the Director of the Division of Parks and the North Slope Borough, direct the operator as to what course of action will be necessary to mitigate the adverse effect.

All lease activities and structures shall be scheduled and/or designed to allow free movement and safe passage to fish and mammals, both onshore and offshore.

Continuous fill causeways will be prohibited. Non-continuous fill causeways may be permitted when demonstrated to the satisfaction of the Supervisor (and the Director, Division of Minerals and Energy Management, when State managed tracts are involved) that the causeway is necessary for the development of the field and no other feasible and prudent alternative exists.

Winter removal of fresh water or snow cover from rivers and natural lakes which support overwintering fish is prohibited by State laws, regulations, and policies. Therefore, the lessee will be responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting.

Surface use will be controlled, as necessary, to prevent unreasonable conflicts with local subsistence harvests.

The State requires a buffer zone up to 1500 feet to separate fresh water supplies or fish-producing streams, lakes, and marine areas from adjacent onshore sewage ponds or oil storage facilities. In cases where it can be demonstrated that a 1500-foot buffer is not physically feasible or prudent, or that no alternative sites are available, exceptions may be granted by the appropriate State official. In all cases, the maximum possible separation will be required but will not be greater than 1500 feet.

Borrow extraction from barrier islands is prohibited by the State. Borrow extraction from lagoons and nearshore areas will also be prohibited by the State unless substantial evidence is provided indicating that borrow extraction in these areas will not adversely affect the environment, particularly the maintenance of the lagoon/barrier island complex, and that no alternative sources exist.

Bidders are advised that during the conduct of all activities related to leases issued as a result of this lease sale, the lessee and its agents, contractors and subcontractors will be subject to the provisions of the Marine Mammal Protection Act of 1972 and International Treaties. The lessee should contact the U.S. Fish and Wildlife Service and/or the National Marine Fisheries Service, as appropriate, regarding potential impacts of lease activities with regard to these laws. Federal Stipulation No. 7 may be imposed on a case-by-case basis.

In the enforcement of Stipulation Nos. 3, 6, and 7, the Supervisor will receive recommendations from a biological task force composed of designated representatives of the Bureau of Land Management, U.S. Fish and Wildlife Service, U.S.Geological Survey, the National Marine Fisheries Service, the Environmental Protection Agency, and the State Departments of Fish and Game, Environmental Conservation, and Natural Resources.* It is intended that this task force will remain in existence throughout the operating life of the field. The Supervisor will consult with the task force on the conduct of the biological surveys by lessees, the appropriate course of action after the surveys have been conducted, and on the administration of the biological/environmental aspects of the above-mentioned Federal Stipulations.

The lessee and its agents, contractors and subcontractors shall ensure that fixed wing aircraft and helicopters involved in the development of their lease, do not fly over the following areas at altitudes of less than 1500 feet:

1. During the period of May 20 through August 1: Cross Island, Pole Island and the Canning River Delta.

2. During the period of May 15 through June 25: The onshore area within 15 miles inland of the coast between the Kuparuk and Sakonowyak Rivers, and the onshore area within 15 miles inland of the coast between Sagavanirktok and Canning Rivers.

Human safety will take precedence over the provisions of these restrictions.

Drilling from platforms or structures located beyond the barrier islands in water depths in excess of 13 meters will be prohibited until such time as a test platform or structure of the same type to be drilled from has been in existence in the sale area at a depth in excess of 13 meters for a period of two winter seasons. Verification of the test structure will be required in accordance with the Geological Survey Platform Verification Program. The Supervisor will determine the adequacy of the test structure after consultation with designated representatives of the North Slope Borough and the Regional Technical Working Group of the National Outer Continental Shelf Advisory Board prior to approving drilling operations from the test structure or from platforms or structures of the same type in water depths in excess of 13 meters.

* Plans of Operations are received and approved by Division of Minerals and Energy Management after review and comment by the Departments of Fish and Game (ADF&G) and Environmental Conservation (ADEC), and the Division of Forest, Land, and Water Management (DFLWM).

All structures erected on Federally managed tracts for the purpose of oil and gas exploration and production will be subject to the requirements of the platform verification program as specified in OCS Order No. 8. Because technology for structures in the transition (ice) zone has not been demonstrated in U.S. waters, particular attention will be given to structures proposed for water depths of 13 meters or more.

In reaching decisions on approval of permits to conduct seismic operations in the lease sale area, the Supervisor will give particular attention to the safe conduct of operations during the period from March 20 to sea ice breakup when ringed seal pupping is occurring.

In addition to other ongoing environmental assessments, the Department of the Interior will prepare a developmental phase Environmental Impact Statement (EIS) pursuant to Section 25(e) of the Outer Continental Shelf Lands Act as amended, 43 U.S.C. 1336.

As required by section 7 of the Endangered Species Act, BLM has initiated consultation with the National Marine Fisheries Service (NMFS) on the endangered bowhead and gray whales. NMFS has advised BLM that there is insufficient information to render a biological opinion before the proposed sale date, and has identified the information which it believes must be obtained before such an opinion can be provided. A two-year whale research program has been developed by BLM in order to acquire the information identified by NMFS as necessary for an assessment of the effects of the proposed sale on these two endangered whales. The BLM research program has been designed to meet the objective of having sufficient information available in two years to allow a biological opinion to be prepared.

Federal Stipulation No. 8 has been developed to provide interim protection for the endangered whales during this 2-year period. At the end of this period, lessees will be advised as to what, if any, restrictions on operations will be necessary to be consistent with the Endangered Species Act. This determination will be made by the Secretary of the Interior in consultation with NMFS. The National Oceanic and Atmospheric Administration has advised the Department of the Interior that it can give it no assurance that sufficient information will be available in two years for DOI to determine that oil and gas operations in the Beaufort Sea will not jeopardize the continued existence of the bowhead whale or adversely modify its critical habitat.

For all Federally managed tracts, the lessee will be required to submit either an exploration plan or a general statement of exploration intentions within four years. This information is provided in accordance with 30 CFR 250.34-1(a)(3).

b. State managed tracts: All disputed tracts will be leased subject to an "Interim Agreement" between the State of Alaska and the United States, entered into under the authority of Section 7 of the Outer Continental Shelf Lands Act, 43 U.S.C. 1336, and Alaska Statute 38.05.137. The agreement provides, among other things, that all sums payable to the United States or State of Alaska resulting from a lease in the disputed area shall be paid into a special interest-bearing escrow account established by the U.S. Treasury Department until the jurisdictional dispute is resolved. The agreement further provides that each lease in the disputed area will contain a stipulation which requires the lessee to pay an amount equal to accrued state taxes, plus interest, in the event that the land subject to the lease is later determined to belong to the State. See State Stipulation No. 11.

The United States and the State of Alaska have entered into an agreement which provides that unitization of leases overlying a common reservoir may be required prior to production, and voluntary unitization may be authorized during exploration. See State Stipulation No. 12.

With respect to State Stipulation No. 9, bidders are advised that certain salient points on the barrier islands will be used for determining surface locations which are located inside or outside the barrier islands. A list of the salient points is available in the Alaska BLM OCS Office, 620 East 10th Avenue, Anchorage, Alaska 99510, and the Division of Minerals and Energy Management, 703 West Northern Lights Boulevard, Anchorage, Alaska 99503. Further with respect to State Stipulation No. 9, bidders are advised that the lessee will be subject to a State Plan of Operations which may include a continued or modified seasonal drilling restriction for the purpose of protecting Arctic fish and wildlife habitat at the end of the two-year stipulation period.

Drilling from platforms or structures located beyond the barrier islands in water depths in excess of 13 meters will be prohibited until such time as a test platform or structure of the same type to be drilled from has been in existence in the sale area at a depth in excess of 13 meters for a period of two winter seasons. Certification of the test structure by an independent engineering firm will be required prior to approving drilling operations from the structure. The Director will determine the adequacy of the test structure after consultation with designated representatives of the North Slope Borough and the Regional Technical Working Group of the National Outer Continental Shelf Advisory Board prior to approving drilling operations from the test structure or from platforms or structures of the same type in water depths in excess of 13 meters.

Bidders are advised that a term of the lease requires the lessee to submit a separate plan of operations for the exploratory and development phases for approval before conducting lease operations. The following requirements will be imposed on lessees of all State managed tracts within the lease area as a condition of approval of plans of operations.

(a) For all onshore leases resulting from this sale and for all onshore off-lease areas under State jurisdiction the following will be required by State or Federal laws and State or Federal regulations:

Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, and/or production activities, an inventory shall be conducted of archaeological and historical sites within the area affected by a proposed activity. Such inventory shall consider literature provided by the North Slope Borough and local residents, documentation of oral history regarding historic and prehistoric uses of such sites, evidence of

consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory shall also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory shall be submitted to the Director, Division of Minerals and Energy Management, for distribution to the Director of the Division of Parks, and the North Slope Borough for purposes of review and comment. The Director of the Division of Parks and North Slope Borough may request that the Director require salvage of archaeologic and historic sites or relocation of proposed facilities. In the event that an archaeological or historical site or area is adversely affected by an activity, documentation of such effects shall be submitted to the Director. The Director shall, after consultation with the Director of the Division of Parks and the North Slope Borough, direct the operator as to what course of action will be necessary to mitigate the adverse effect.

(b) The lessee will provide the following information where applicable:

1. Amounts of borrow required;
2. Amounts of fresh water required, and provision for storage or alternative fresh water sources to provide adequate fresh water supplies for winter domestic and industrial use;
3. Transportation requirements, including the type, frequency, and routes of travel for vessels, aircraft, and vehicles (including air cushion and rolligon);
4. Activities to be conducted directly on the tundra surface.

(c) The lessee will be responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting. Winter removal of fresh water or snow cover from rivers and natural lakes which support overwintering fish is prohibited.

(d) A Spill Prevention, Control, and Countermeasure (SPCC) Plan must be prepared as exemplified by 40 CFR 112.3 et seq. An Oil Spill Contingency Plan must be prepared for each drill site and for onshore and offshore activities involving the handling or storage of oil or hazardous substances. The Plan must include:

1. operational procedures, communication networks, detection and monitoring devices, equipment inventories, disposal sites, and other contingency provisions as required by 18 AAC 75.310;
2. provisions for contingencies for all oceanographic and meteorological conditions present in the vicinity of the drill site, which may include open water, landfast ice, mobile one-year ice, and polar pack ice;
3. provisions for encircling the drilling structure with a containment barrier of a size adequate to contain a major spill, and provisions to rapidly force or move under-ice oil to the ice surface for recovery and cleanup during the period of nearshore ice cover; the containment barriers are only required if oil could escape from around the conductor pipe to water under the ice;
4. methods for controlling blowouts and/or the procedures to be followed for various blowout contingencies;
5. identification of a suitable alternate drilling rig or rigs*, the location of an alternate relief well drilling site, location of the nearest emergency supply of gravel, and the time required to obtain equipment, mobilize, rig up and commence drilling of a relief well, if the drilling of a relief well should be required.

(e) Surface use will be restricted, as necessary, to prevent unreasonable conflicts with local subsistence harvests.

(f) A buffer zone up to 1500 feet will be required to separate fresh water supplies or fish-producing streams, lakes, and marine areas from adjacent sewage ponds or oil storage facilities. In cases where it can be demonstrated that a buffer zone of up to 1500 feet is not physically feasible or prudent, exceptions may be granted by the Director, Division of Minerals and Energy Management. In all cases, the maximum possible separation will be required, but will not be greater than 1500 feet.

(g) Borrow extraction from barrier islands is prohibited. Borrow extraction from lagoons and nearshore areas will be prohibited unless substantial evidence is provided indicating that borrow extraction in these areas will not adversely affect the environment and/or that no alternative sources exist.

(h) All lease activities and structures shall be scheduled and/or designed to allow free movement and safe passage to fish and mammals, both onshore and offshore.

(i) Corps of Engineers permits are required for construction of any artificial islands, installations and other devices permanently or temporarily attached to the seabed located on the Outer Continental Shelf in accordance with Section 4(e) of the Outer Continental Shelf Lands Act, as amended, 43 U.S.C. 1333.

(j) Continuous fill causeways will be prohibited. Non-continuous fill causeways may be permitted when demonstrated to the satisfaction of the Director, Division of Minerals and Energy Management (and the Supervisor, where leases on Federally managed tracts are involved) that the causeway is necessary for the development of the field and no other feasible and prudent alternative exists.

* Alternate drilling rig can be another rig in the area, a standby rig, or planned transportation of an available rig from another area.

(k) The lessees shall ensure that fixed wing aircraft and helicopters involved in the development of their lease, or under contract to them, do not fly over the following areas at altitudes of less than 1500 feet:

1. during the period May 20 through August 1: Cross Island, Pole Island, and the Canning River Delta;

2. during the period May 15 through June 25: onshore areas within 15 miles inland of the coast between the Kuparuk and Sakonowyak Rivers, and the onshore area within 15 miles inland of the coast between the Sagavanirktok and Canning Rivers.

Human safety will take precedence over the provisions of these restrictions.

(l) The proposed activities under a plan of operations must not diminish the use and enjoyment of a native allotment.

Bidders are advised that in the enforcement of State Stipulations Nos. 2, 3, 4, 5, 6, 7, 9, and 13, the Director will receive recommendations from a biological task force composed of designated representatives of the Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Geological Survey, the National Marine Fisheries Service, the Environmental Protection Agency, and the State Departments of Fish and Game, and Environmental Conservation. Plans of Operations are received and approved by the Division of Minerals and Energy Management after review and comment by the State Departments of Fish and Game, Environmental Conservation, and the Division of Forest, Land, and Water Management. It is intended that this task force will remain in existence throughout the operating life of the field. The Director will consult with the task force on the conduct of the biological surveys by lessees, the appropriate course of action after the surveys have been conducted, and on the administration of the biological/environmental aspects of the above-mentioned stipulations.

Bidders are advised that during the conduct of all activities related to leases issued as a result of this lease sale, the lessee and its agents, contractors and subcontractors will be subject to the provisions of the Marine Mammal Protection Act of 1972 and International Treaties. The lessee shall contact the U.S. Fish and Wildlife Service and/or the National Marine Fisheries Service, as appropriate, regarding potential impacts of lease activities with regard to these laws. State Stipulation No. 5 may be imposed on a case-by-case basis.

Bidders are advised that the following work commitment will be included in leases issued on State leasing units BF-59, BF-60, BF-61, BF-62, BF-66, BF-67, BF-68, BF-69, BF-75, BF-76, BF-82: the lessee must commence to drill a well by the end of the fifth year of the lease, or commit the lease to an approved exploratory unit approved by the Commissioner of National Resources. If a well has not been drilled or the lease has not been committed to an approved unit by that time, the lessee will relinquish the lease to the State.

Bidders are advised that the following work commitment will be included in leases issued on State leasing units BF-46, BF-47, BF-48, BF-49, BF-50, BF-51, BF-52, BF-53, BF-54, BF-55, BF-56, BF-57, BF-58, BF-113, BF-114: the lessee must commence to drill a well by the end of the seventh year of the lease, or commit the lease to an approved exploratory unit approved by the Commissioner of Natural Resources. If a well has not been drilled or the lease has not been committed to an approved unit by that time, the lessee will relinquish the lease to the State.

15. Federal OCS Orders. Operations on all Federally managed leases covered by this notice will be conducted in accordance with the provisions of applicable Arctic Area OCS Orders, as of their effective date, and any other applicable OCS Order as it becomes effective.

Dated: October 29, 1979.

State of Alaska

Robert E. LeResche,

Commissioner, Department of Natural Resources.

United States

Frank Gregg,

Director, Bureau of Land Management.

Approved:

Dated: November 2, 1979

Cecil D. Andrus,

Secretary of the Interior.

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